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## **KWG GROUP HOLDINGS LIMITED**

**合景泰富集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1813)**

### **CONTINUING CONNECTED TRANSACTIONS LEASE OF PROPERTIES**

#### **RENEWED PROPERTY LEASE AGREEMENTS**

Reference is made to the announcement of the Company dated 6 December 2018 in respect of the continuing connected transactions in relation to the lease of properties under the Property Lease and Management Agreements I and the Property Lease and Management Agreements II.

In contemplation of the expiry of the lease of certain properties under the Property Lease and Management Agreements I and the Property Lease and Management Agreements II, the Board announces that on 31 December 2020, the Lessors has entered into the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II with the Lessees, pursuant to which the Lessors agreed to renew the term of lease of certain properties under the Property Lease and Management Agreements I and the Property Lease and Management Agreements II, which will expire on 31 December 2020, each for a fixed term of three years.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. KONG, an executive Director and chief executive officer of the Company, indirectly owns 100% equity interests in each of the Lessees, and therefore the Lessees are associates of Mr. KONG and connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II constitute continuing connected transactions of the Company.

Under Rule 14A.83 of the Listing Rules, as the 2020 Property Lease Agreements I, the 2020 Property Lease Agreements II and the Existing Property Lease and Management Agreements are all entered into between the Group and the Lessees, they are required to be aggregated. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the highest annual caps of the transactions under the Property Lease and Management Agreements on an aggregated basis exceeds 0.1% but all of them are less than 5%, the transactions contemplated under the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II are subject to the reporting, annual review and announcement requirements but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 6 December 2018 in respect of the continuing connected transactions in relation to the lease of properties under the Property Lease and Management Agreements I and the Property Lease and Management Agreements II.

## **RENEWED PROPERTY LEASE AGREEMENTS**

In contemplation of the expiry of the lease of certain properties under the Property Lease and Management Agreements I and the Property Lease and Management Agreements II, the Board hereby announces that on 31 December 2020, the Lessors has entered into the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II with the Lessees, pursuant to which the Lessors agreed to renew the term of lease of certain properties under the Property Lease and Management Agreements I and the Property Lease and Management Agreements II, which will expire on 31 December 2020, each for a fixed term of three years.

Principal terms of the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II are set out as follows:

- Date: 31 December 2020
- Parties:
- (1) Certain wholly-owned subsidiaries of the Company as the Lessors
  - (2) Guangzhou Kai Chuang Business Investments Company Limited\* (廣州凱創商務投資有限公司), Guangzhou Kai Chuang Business Investments Company Limited Shanghai Branch\* (廣州凱創商務投資有限公司上海分公司) and Chengdu Jinyu Business Management Company Limited\* (成都晉譽商業管理有限公司) as Lessees

\* For identification purposes only

Leased properties: the Properties, being various commercial properties located in Guangzhou, Shanghai and Chengdu, with a total gross floor area of approximately 12,822 sq.m.

Payment terms: Rental fees shall be payable monthly in advance on the 5th day of each calendar month.

Usage: Office space

### The Properties

Details of the Properties are set out as follows:

	<b>Location</b>	<b>Lease Term</b>	<b>Effective Monthly Rental Fee (RMB)</b>
1.	Unit 112, 12 Haile Road, Pearl River New Town, Tianhe District, Guangzhou, Guangdong Province, the PRC	1 January 2021 to 31 December 2023	6,300
2.	Level 66, International Metropolitan Plaza, 68 Huacheng Avenue, Tianhe District, Guangzhou, Guangdong Province, the PRC	1 January 2021 to 31 December 2023	369,000
3.	Level 21, International Commerce Place, 1168 Xingang East Road, Haizhu District, Guangzhou, Guangdong Province, the PRC	1 January 2021 to 31 December 2023	241,000
4.	Level 5, International Finance Place, 8 Huaxia Road, Pearl River New Town, Tianhe District, Guangzhou, Guangdong Province, the PRC	1 January 2021 to 31 December 2023	19,000
5.	Portion of Level 2, International Metropolis Plaza, 58 Yaoyuan Road, Pudong New District, Shanghai, the PRC	1 January 2021 to 31 December 2023	259,000
6.	Level 7, Block M3, The Cosmos, International Commerce Place, 300 Jiaozi Avenue, Guoxin District, Chengdu, Sichuan Province, the PRC	1 January 2021 to 31 December 2023	112,000

<b>Location</b>	<b>Lease Term</b>	<b>Effective Monthly Rental Fee (RMB)</b>
7. Levels 20 and 21, Block M6, The Cosmos, International Commerce Place, 300 Jiaozi Avenue, Guoxin District, Chengdu, Sichuan Province, the PRC	1 January 2021 to 31 December 2023	247,000
	<b>TOTAL</b>	<u><u>1,253,300</u></u>

### **HISTORICAL TRANSACTION AMOUNTS AND PROPOSED ANNUAL CAPS**

The aggregate effective annual rental fee paid by the Lessees in respect of the lease of the Properties under the Property Lease and Management Agreements I and the Property Lease and Management Agreements II for the two years ended 31 December 2019 and the period from 1 January 2020 to 30 November 2020 were approximately RMB142,903, RMB19,686,000 and RMB16,446,903, respectively.

Taking into account the aggregate annual rental fees for the transactions contemplated under the Existing Property Lease and Management Agreements, the aggregated annual caps under the Property Lease and Management Agreements for each of the financial years ending 31 December 2021, 2022 and 2023 will be revised as follows:

	<b>Annual Caps</b>		
	<b>For the financial year ending 31 December 2021 (RMB)</b>	<b>For the financial year ending 31 December 2022 (RMB)</b>	<b>For the financial year ending 31 December 2023 (RMB)</b>
Annual caps under the Property Lease and Management Agreements III	6,480,000	2,436,000	—
Annual caps under the Property Lease and Management Agreements IV & V	6,432,000	6,432,000	1,033,000
Annual caps under the 2020 Property Lease Agreements I & II	<u>15,039,600</u>	<u>15,039,600</u>	<u>15,039,600</u>
Revised aggregate annual caps	<u><u>27,951,600</u></u>	<u><u>23,907,600</u></u>	<u><u>16,072,600</u></u>

The rental fees in respect of the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II were determined after arm's length negotiations between the Lessors and the Lessees with reference to the prevailing market rates for comparable properties in the PRC as of the date of the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II, as well as the rental valuation conducted by an independent professional valuer based on comparisons to transacted rental fees or asking rental fees of comparable properties.

## **REASONS AND BENEFITS FOR RENEWED PROPERTY LEASE AGREEMENTS**

The Properties are located in first tier cities in the PRC, and there is a growing market in the PRC for co-working spaces. The Group has been leasing the Properties to the Lessees for sub-leasing to third parties as co-working spaces and serviced offices, to be used as offices and meeting venues, which will cater to entrepreneurs, start-up businesses, branches of large enterprises and professional services. The Company believes that it will continue to benefit from the transactions under the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II due to the following reasons: (i) the Group will continue to earn rental fee incomes which are at the prevailing market rates; and (ii) all the costs and risks relating to the operation of the business in the Properties will be borne by the Lessees.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II and the transactions contemplated thereunder are on normal commercial terms or better and in the ordinary and usual course of business of the Group, and the terms in the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II, including the relevant annual caps, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

Since Mr. KONG has a material interest in the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II and the transactions contemplated thereunder, he had abstained from voting on the relevant board resolutions approving (i) the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II and the transactions contemplated thereunder and (ii) the annual caps in respect of the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II and the aggregated annual caps of the Property Lease and Management Agreements.

## **INFORMATION ON THE GROUP AND THE PARTIES TO THE RENEWED PROPERTY LEASE AGREEMENTS**

### **The Group**

The Group is a large-scale property developer in the PRC with a leadership position in Guangzhou and an established presence in various major cities in the PRC and Hong Kong.

## **Lessees**

The Lessees are companies established under the laws of the PRC. The Lessees are principally engaged in providing business services, including the provision of properties to third parties as co-working space and serviced offices.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mr. KONG, an executive Director and chief executive officer of the Company, indirectly owns 100% equity interests in each of the Lessees, and therefore the Lessees are associates of Mr. KONG and connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II constitute continuing connected transactions of the Company.

Under Rule 14A.83 of the Listing Rules, as the 2020 Property Lease Agreements I, the 2020 Property Lease Agreements II and the Existing Property Lease and Management Agreements are all entered into between the Group and the Lessees, they are required to be aggregated. As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the highest annual caps of the transactions under the Property Lease and Management Agreements on an aggregated basis exceeds 0.1% but all of them are less than 5%, the transactions contemplated under the 2020 Property Lease Agreements I and the 2020 Property Lease Agreements II are subject to the reporting, annual review and announcement requirements but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“2020 Property Lease Agreements I”	the agreements entered into between the Lessors and the Lessees on 31 December 2020 whereby the Lessors agreed to renew the term of lease of certain properties under the Property Lease and Management Agreements I
“2020 Property Lease Agreements II”	the agreements entered into between the Lessors and the Lessees on 31 December 2020 whereby the Lessors agreed to renew the term of lease of certain properties under the Property Lease and Management Agreements II
“associate”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors

“Company”	KWG Group Holdings Limited (合景泰富集團控股有限公司) (stock code: 1813), a limited liability company incorporated in the Cayman Islands, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Property Lease and Management Agreements”	collectively, the Property Lease and Management Agreements III, the Property Lease and Management Agreements IV and the Property Lease and Management Agreements V
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Lessees”	Guangzhou Kai Chuang Business Investments Company Limited* (廣州凱創商務投資有限公司), Guangzhou Kai Chuang Business Investments Company Limited Shanghai Branch* (廣州凱創商務投資有限公司上海分公司) and Chengdu Jinyu Business Management Company Limited* (成都晉譽商業管理有限公司)
“Lessors”	certain wholly-owned subsidiaries of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. KONG”	Mr. KONG Jiantao, an executive Director and chief executive officer of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the properties numbered 1 to 7 set out in the section “The Properties” of this announcement
“Property Lease and Management Agreements”	collectively, the 2020 Property Lease Agreements I, the 2020 Property Lease Agreements II and the Existing Property Lease and Management Agreements

\* For identification purposes only

“Property Lease and Management Agreements I”	the agreements entered into between the Group and the Lessees on 30 November 2018, details of which are set out in the announcement of the Company dated 6 December 2018
“Property Lease and Management Agreements II”	the agreements entered into between the Group and the Lessees on 6 December 2018, details of which are set out in the announcement of the Company dated 6 December 2018
“Property Lease and Management Agreements III”	the agreements entered into between the Group and the Lessees on 1 July 2019, details of which are set out in the announcement of the Company dated 2 July 2019
“Property Lease and Management Agreements IV”	the agreements entered into between the Group and the Lessees respectively on 14 February 2020 and 26 February 2020, details of which are set out in the announcement of the Company dated 27 March 2020
“Property Lease and Management Agreements V”	the agreements entered into between the Group and the Lessees on 27 March 2020, details of which are set out in the announcement of the Company dated 27 March 2020
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of par value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square metres
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto in the Listing Rules
“%”	per cent

By Order of the Board  
**KWG Group Holdings Limited**  
**KONG Jianmin**  
*Chairman*

Hong Kong, 31 December 2020

*As at the date of this announcement, the Board comprises seven Directors, of whom Mr. KONG Jianmin (Chairman), Mr. KONG Jiantao (Chief Executive Officer), Mr. KONG Jiannan and Mr. CAI Fengjia are Executive Directors; and Mr. LEE Ka Sze, Carmelo JP, Mr. TAM Chun Fai and Mr. LI Binhai are Independent Non-executive Directors.*